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CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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COUNTRY Chile

SUBJECT Factors Affecting Future of US Copper Companies/New
Mineral Possibilities/Communist Influence in Nitrate
Fields/Man in the Street OpinionsPLACE ACQUIRED
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1. An increase of Chilean administrative controls over US-owned copper companies, and even the possible nationalization of those companies, is a favorite topic of conversation among Chileans connected with the mining industry. If I were a US owner of a copper company in Chile I would be nervous about the undercurrents I found during my year in Chile affecting the status of foreign copper interests. The Chileans are watching both Peru and Bolivia very closely for signposts of the future. If Bolivia makes a reasonable success of its tin industry, there is no doubt in my judgment that the US copper companies will be in trouble.
2. The Paipote copper smelter is instructive. The Chilean Government put up the funds to build it, and when it was found that the smelter was not getting the needed ore, copper ore concentrating mills were constructed to keep it supplied. Then it turned out that there was enough not enough ore to keep the concentrating mills busy, and no several copper mines were bought. The whole operation is still small but the pattern is potentially dangerous to the US firms. All of the output of the Paipote smelter, which is run by a White Russian named Zausquivitch assisted by a German and a Yugoslav, is being sold to Germany (Federal Republic). I did not learn the identity the German consignee(s) but the sales are being negotiated in Santiago by a Paipote smelter representative and I think the price, as of September 1953, was US 32 cents a pound. The smelter's capacity is 50 tons a day. Gold and silver in the copper is being recovered in Germany.
3. I heard nothing to indicate Chilean copper sales to other countries or the possible transshipment to the Soviet bloc of the copper which is being sold to Germany. But neither did I observe anything suggesting that the Government is concerned about transshipments or has established machinery to prevent or discourage it. My contacts with Chilean officials convinced me that price alone will determine copper policies. If the Chileans feel they can get more for their copper, they will do the thing which they believe necessary to get it.

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4. ~~25X1X~~ Following are some of the presently unexploited mineral possibilities in Chile:

- (a) Some years ago a copper deposit in the Collahuasi area was mined by a UK firm which abandoned operations when the copper content of the ore declined to 20%. This deposit and several others like it in the same area are available for additional economic exploitation.
- (b) A Canadian firm has located copper along the coast north of the Camarones River. My understanding is that these are good sized deposits with attractive profit possibilities given a stable political outlook over the next few years.
- (c) Mining geologists are generally agreed on the strong possibility of tungsten and molybdenum deposits in Chile.
- (d) Very good lead deposits have been found in southern Chile in the Puerto Aysén area. I heard indirectly that there was a chance of other mineral deposits in the area but I did not hear what they might be. The lead findings here and the possibility of additional ores has exacerbated Chile's occasional border difficulties with Argentina. Like Buenos Aires sits across the boundary at this point and there are intermittent border skirmishes which the Chilean Government has been afraid to publicize.
- (e) A Chilean acquaintance mentioned casually to me that there are uranium prospects in the Andes, but he volunteered nothing beyond that and I did not see fit to press him.

5. Communist agitation is fairly heavy in the nitrate towns of northern Chile where the people, extremely poor and discontented, are in a mood to listen to anything. Communist agitators are also working over into the copper areas. The walls of buildings in the northern towns are plastered with Communist posters calling for nationalization of mines (an issue on which the Communists can make common cause with some anti-Communist Chileans), and attacking inflation and crooked politicians. I suspect the Communists are rather strongly entrenched in the nitrate unions and possibly in the copper mining unions as well. The Chilean Communists in the mining areas employ the hammer and sickle as a revolutionary symbol but make no attempt to sell the USSR or any other Communist country to the people. Occasional demonstrations organized by the Communists are quickly broken up by the carabinieri. My general impression, based on considerable contact with the people in small towns throughout Chile, is that the Communist campaign has thus far been really effective only in the nitrate fields.

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6.

and byways of Chile that the ordinary Chilean, the man in the street, holds these opinions and attitudes:

He hates Argentina.

He thinks all US citizens are millionaires and he neither likes nor dislikes them.

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He is disappointed that Ibañez has failed to nationalize parts of the economy, in contrast to the wealthy Chileans who continue to fear that Ibañez may do so.

He wants a land reform program, if he is a farmer.

He worries more about the price of copper than about anything else.

His second greatest worry is inflation.

He has practically no interest in international affairs outside the Western hemisphere and he has no idea as to what the Korean War has all been about. But he knows there has been trouble in a place called Korea.

He is interested in affairs in Venezuela, Colombia, Brazil and the other Latin American republics and is not badly informed on these places. A surprisingly large number of Chilean workers have radios.

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